

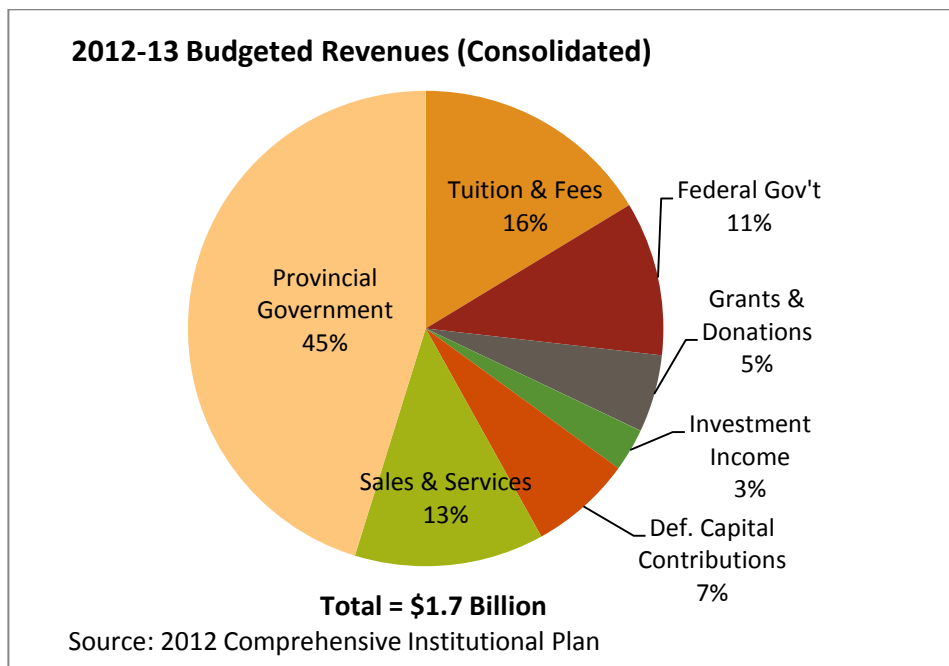
# Understanding the University of Alberta's Budget

Each year the University of Alberta spends approximately \$1.7 billion in support of its teaching, research and community services mission. The funds for this spending come from numerous sources and go toward thousands of costs, from salaries to software.

In this document we will show where the money comes from, where it is spent, who decides where it is spent and what rules are applied to guide these decisions. The purpose of this document is to present the information in a brief way so that anyone who spends a few minutes reading it can participate in a conversation about the university and how it manages the financial challenges it now faces.

## Where the revenue comes from

- As a public institution, the university's largest funder is the Alberta taxpayer. For 2012-13 approximately 45 per cent of the university's funding came from the provincial government.
- Tuition and fees—the revenue from students—represents the second largest source of revenue, at approximately 16 per cent. This includes non-instructional fees for such things as athletics and health services.
- Revenue from sales of services and products represents 13 per cent of revenue. Sales of services and products includes such things as parking, housing, the bookstore as well as cost-recovery programs within faculties, such as summer camps.
- Other revenue comes from the federal government – primarily research funding, deferred capital contributions, grants and donations, and investment income.

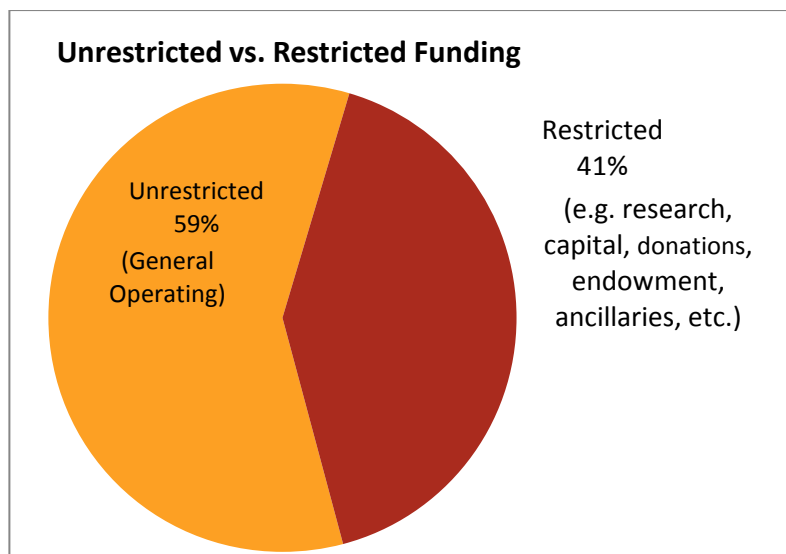


### ***Not quite as simple as it might seem: restricted funds***

One might imagine a single pot of money the university could simply draw upon to apply to the priority of the day. It's not that simple, however: many millions of those dollars can only be used for specific purposes that are spelled out by the people and organizations providing the money. Those dollars are referred to as "restricted funds."

- The most visible product of restricted funds is new university buildings. Individual buildings, which can cost up to hundreds of millions of dollars, are paid for primarily by the Province. Restricted funds provided for a building by the Province must only be used for the construction of that particular building.
- Research revenue is restricted. Governments and other agencies provide money to the university to carry out research in specific areas. A grant is typically provided to a particular researcher to carry out particular research. That money shows up as university revenue, but it cannot be used to, for example, fund a new academic program or repair an aging building.
- Philanthropic donations are restricted. The university benefits from thousands of individuals and organizations who make philanthropic gifts to the university and members of its community. In most cases the giver of the gift specifies where the money goes, from student scholarships to research.

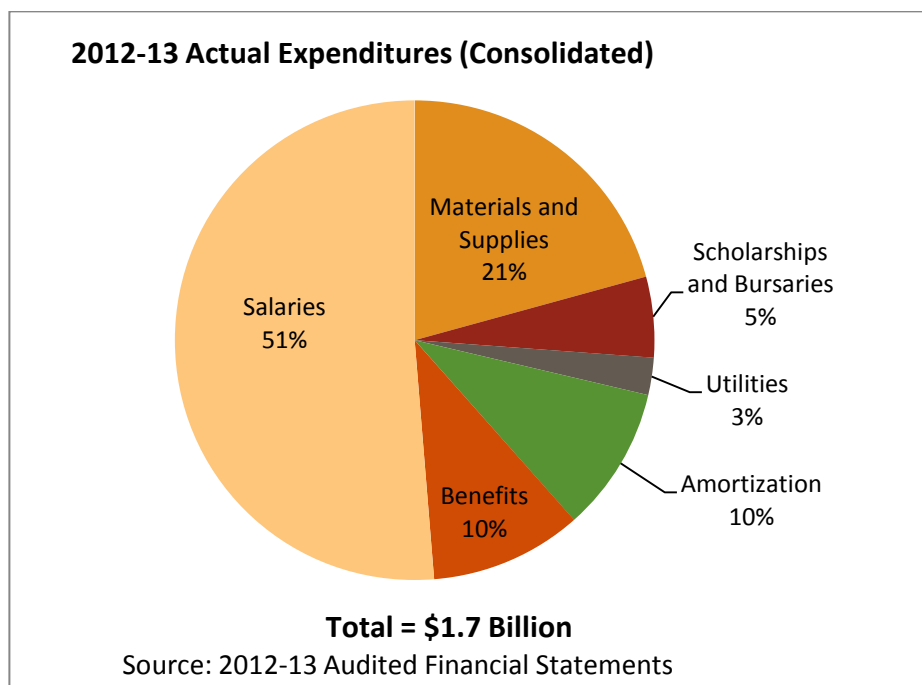
Of the \$1.7 billion in revenue received by the university, approximately 41 per cent is restricted in one way or another. Approximately 59 per cent, consisting primarily of the government grant plus tuition, makes up the university's operating budget. This is what funds the university's day-to-day teaching and learning activities.



## Where the money is spent

The consolidated budget of \$1.7 billion is spent in several primary areas.

- Core to the university's mission is its people. Salaries and benefits, therefore, represent by far the most significant expenditure. Of the \$1.7 billion, 61 per cent goes toward salaries and benefits.
- The next most significant expenditure, at 21 per cent, is for materials, supplies and services. This is for the essential support across the university, from information technology to insurance, from libraries to teaching lab supplies.
- The remaining areas of expenditure include amortization of capital assets, utilities (heating, lighting and cooling), and scholarships and bursaries (\$92 million a year goes toward scholarships and bursaries).



The following tables illustrate the university's expenditures from two different perspectives. The first is by type of expenditure, with a more detailed breakdown on who the salaries are invested in. The second table is expenditure by area of responsibility.

### **2012-13 actual expenditures by type (consolidated)**

(\$ Thousands)

Salaries:	
Academic Staff	515,653
Support Staff	315,554
Student Teaching Assistants	42,200
Sub-total	<u>873,407</u>
Benefits	174,377

Materials and Supplies	352,976
Scholarships and Bursaries	92,323
Utilities	42,917
Amortization	166,387
<b>Total Expenditures</b>	<b>1,702,387</b>

Source: 2012-13 Audited Financial Statements

**2012-13 actual expenditures by area of responsibility (consolidated)**

(\$ Thousands)

Faculties:

ALES	77,479
Arts	103,710
Augustana	18,986
Education	38,921
Engineering	103,601
Extension	23,109
Graduate Studies and Research	29,303
Law	12,799
Medicine & Dentistry	314,621
Native Studies	2,457
Nursing	32,870
Pharmacy and Pharmaceutical Sciences	10,676
Physical Education and Recreation	36,447
Rehabilitation Medicine	21,566
Saint Jean	16,247
School of Business	43,731
School of Public Health	27,031
Science	168,960
<b>Sub-Total Faculties<sup>1</sup></b>	<b>1,082,514</b>

Governance <sup>2</sup>	6,310
VP Advancement	13,601
VP University Relations	11,711
VP Academic <sup>3</sup>	118,578
VP Research	19,432
VP F&O <sup>4</sup>	111,757
VP F&A <sup>5</sup>	84,303
Ancillary Operations <sup>6</sup>	87,794
Amortization	166,387
<b>Admin Total</b>	<b>619,873</b>

<b>Total Expenditures</b>	<b>1,702,387</b>
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See notes on following page

1. Includes Teaching and Research
2. Governance includes: President's Office, Board of Governors, Senate, University Governance and General Counsel
3. VP Academic includes Provost , Office of the Registrar, AICT, Health Sciences Council, Libraries/ Learning Services Student Services and UAI
4. Includes: Repairs/Maintenance, Facility Cleaning Contracts, Bldgs & Grounds Services, Operating Utility Expenditures
5. Includes: AIS, HR, Financial Services, Supply Management Services, Risk Management Services.
6. Includes Bookstore, University Health Center, Utilities, Residence & Facility Services, and Parking Services

### ***Unrestricted operating budgets***

As shown, 41 per cent of the university's consolidated budget is restricted—it can only be used for the purposes stated by the provider of the funds. The unrestricted portion, 59 per cent, constitutes the general operating budget, which the university can deploy as required. Note, however, that even among the general operating budget there are costs that we have little choice but to incur, such as the costs of electricity, heating and cooling, and insurance.

The following table illustrates the university's operating budgets, comparing 2012-13 with estimated 2013-14 budgets.

### ***University of Alberta operating budget 2012-13 vs estimated 2013-14***

(\$ Thousands)	<b>Budget</b>	<b>Estimated</b>
	<b>2012-13</b>	<b>Budget</b>
	<b>2013-14</b>	<b>2013-14</b>
ALES	28,210	28,557
Arts	78,485	77,947
Augustana	16,220	16,361
Business	22,926	22,725
Education	31,316	31,471
Engineering	61,533	61,731
Extension	6,532	4,744
FGSR	7,636	7,446
Law	6,273	6,354
Medicine & Dentistry	83,782	88,156
Native Studies	2,063	2,076
Nursing	25,124	25,194
Pharmacy	6,444	6,483
Physical Ed	13,384	13,336
Public Health	7,475	7,498
Rehabilitation Medicine	11,947	12,019
Saint-Jean	8,684	8,684
Science	94,743	92,975
<b>Faculty Total</b>	<b>512,776</b>	<b>513,757</b>

Governance	8,401	8,279
VP Advancement	14,213	14,019
VP University Relations	7,669	7,595
VP Academic	127,646	120,911
VP Research	14,214	14,124
VP F & O	114,403	113,462
VP F & A	65,884	65,502
<b>Admin Total</b>	<b>352,430</b>	<b>343,892</b>
<b>Total Operating Budget</b>	<b>865,206</b>	<b>857,649</b>

## Keeping it manageable

Imagine having to reinvent the whole budget “from scratch” each year. To do so would be overwhelming. Two things help make it possible: *incremental budgeting* and the university’s extensive planning documents.

In incremental budgeting, budget managers use last year’s budget as a starting point, which they then adjust to meet the conditions of the current year. The people who prepare budgets, from the manager of grounds services to the deans and vice-presidents, refer to the incremental changes in the amount of money available from last year to this year to help decide which specific things they can do this year. It’s not easy, but at least they have a starting point.

The second thing that makes budgeting possible from year to year is the university’s vision and planning documents, *Dare to Discover* and *Dare to Deliver*. In these documents, the university presents its picture of why it exists, what it stands for, and where it’s going.

*Dare to Discover* describes its four cornerstones, including “talented people,” “learning, discovery and citizenship,” “connecting communities,” and “transformative organization and support.” *Dare to Deliver* provides the academic plan in greater detail, and describes priorities such as student engagement, the quality of the student experience, the mix of undergraduate to graduate students and areas of research strength. *Dare to Discover* and *Dare to Deliver* cover a four-year planning horizon.

These two documents inform budget decisions made across the university. Everyone, including academic chairs, unit directors and deans, is required to make budget decisions that align with the vision, strategies and goals of the university as contained in these documents.

These documents, as well as the Comprehensive Institutional Plan (CIP), which is required by the Province, are generated with the widest possible amount of input from members of the university community and through a rigorous and extensive governance approval route.

## **Deciding where the money goes**

The University of Alberta is a public entity with thousands of stakeholders, including taxpayers, students, researchers, professional associations, philanthropists, corporations and neighbours. They all influence how the university deploys its resources. As outlined in the Post-Secondary Learning Act, it is the university's Board of Governors that makes the final budget decisions – but much has to happen before the Board gets to decide.

The annual generation of the university's budget is a complex and lengthy process. It includes a series of steps that take place at specific times throughout the year.

The process is coordinated through the President's Executive Committee (the president and vice-presidents) while relying on extensive input and consultation through various committees. Consultations also occur through the president's open forums or town halls and the provost's attendance at various council meetings.

At its core are the academic needs of the individual faculties, as defined and described by faculty deans. Deans have overall responsibility for how money is spent within their faculties.

It begins with information gathering. Units in the Finance and Administration (F & A) portfolio gather information from numerous sources about the factors that will affect the budget from one year to the next. This includes such things as economic growth and inflation forecasts, the price of oil and gas, salary trends within and outside Alberta and the expected amount of the annual provincial grant. University leaders meet with a range of experts, including government officials, chief economists, demographers and others to discuss every kind of risk and trend.

Based on all this information, the provost and the VP (F & A) advise senior administration on what to expect in their budget for the year. The provost consults with the faculties and academic administrative units within his portfolio while the other vice-presidents consult with their administrative units. Faculties and units then respond with their budget proposals. It is up to the provost and each vice-president to then assemble the budgets from their various portfolios.

It's all put together into a single document – the Comprehensive Institutional Plan (CIP), which includes the consolidated budget and three-year forecasts. The President's Executive Committee then approves the CIP for recommendation to the university's governance committees.

The provost and vice-presidents then present the CIP to the university's academic and board governance committees. This is a detailed briefing that occurs prior to the committees being asked to vote to recommend the document for approval.

The CIP proceeds through three governance steps.

1. It is presented to the General Faculties Council Academic Planning Committee (APC), who recommend to the Board Finance and Property (BFPC) and the Board Learning and Discovery Committees (BLDC).
2. The BFPC and BLDC in turn recommend it to the Board of Governors for approval.
3. The Board of Governors is responsible for final approval.

Once the final document is approved, it is sent to the minister under the board chair's signature.



The annual generation of the university's budget is a process. It includes a series of steps that take place at specific times throughout the year.



## The budget pressures facing the university today

The budget problem faced by the university can be described simply: *there is not enough money this year to do what we did last year*. There are two reasons for this: there is less money coming in to the university this year than last year, and things get more expensive each year. This is a “double hit.”

In previous years, even with increases in funding from the Province, the second condition—rising costs—existed. The university has been managing the rising costs element of the equation constantly, and everyone in the university community can think of examples of ways we have managed this, from IT consolidation to administrative efficiencies and revenue enhancement.

The problems are in the operating fund—the fund that supports the day-to-day teaching and learning activities of the university. The largest contributor to the operating fund—the Province—reduced the grant to the university for 2013-14 to manage its own, similar, challenges; and the largest expenses in the operating fund—salaries and benefits—have risen in accordance with our negotiated agreements.

The grant to the university decreased by 7.2 per cent. Salaries, when factoring in merit increases, are going up by 3.75 per cent on average, benefits are going up by 6.4 per cent, and general inflation is expected to increase by two to four per cent.

There’s one more element to the equation to keep in mind: after we solve this year’s problem, the same conditions will reappear next year. Unless we change something, costs will continue to rise faster than revenue. Based on what the Province has told us to expect to receive, and the legislation regarding tuition, and the continuing rate of inflation, our operating revenue will rise by one to two per cent, and our expenditures will increase at a rate of two to four per cent.

That condition is unsustainable.

